

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
CRESCO, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2004

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HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2003 Election)		
Donald J. Conway	President	2003
Marilyn Reis	Vice President	2004
Bruce Weigel	Board Member	2003
Jan Carman	Board Member	2005
Brenda Kammer	Board Member	2005
<u>Board of Education</u>		
(After September 2003 Election)		
Donald J. Conway	President	2006
Marilyn Reis	Vice President	2004
Bruce Weigel	Board Member	2006
Jan Carman	Board Member	2005
Brenda Kammer	Board Member	2005
<u>School Officials</u>		
Ron Sadler	Superintendent	2004
Janet Kreitzer	District Secretary/Treasurer	2004
Ann Tompkins	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Howard-Winneshiek Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Howard-Winneshiek Community School District, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Howard-Winneshiek Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 23, 2004 on our consideration of Howard-Winneshiek Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 17 and 52 through 54 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Howard-Winneshiek Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
September 23, 2004

Howard-Winneshiek Community School District

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2004

The Howard-Winneshiek Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. Financial statements include a Statement of Net Assets and a Statement of Activities, which provide information about the activities of the District as a whole and present a long term view of the District's finances.

Financial Highlights

Factors Affecting 2004 Financial Statement ending June 30, 2004

General Fund Revenues increased from \$11,208,141 to \$11,230,160 (\$22,019 difference) in fiscal year 2004 while General Fund expenditures increased from \$10,929,689 to \$11,738,613 (\$808,924 difference) in fiscal 2004.

The increase in General Fund revenues was attributable to an increase in property tax and federal revenue received in fiscal 2004. The increase in expenditures was due primarily to negotiated salary and benefits, an overall increase in special education, the addition of the School Ready Empowerment program and equipment including a fitness room.

Overview of the Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Howard-Winneshiek Community School District as a financial whole, or as an entire operating entity.

District-wide Financial Statements

The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid. Net assets and how they have changed are one way to measure the District's financial health or position.

In the District-wide financial statements, the District's activities are divided into two categories:

Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Business-type activities: The District charges fees to help it cover the costs of certain services it provides. The District's food service program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

- Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Thus the governmental fund statements provide a detailed short-term view of how educational and operational services were funded as well as what funding is available in the near future to finance the District's programs. The difference between governmental activities reported in the statement of net assets and the statement of activities and the governmental funds is reconciled in the financial statements.
- Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. This fund is reported in the same way as the District-wide statements. The District's proprietary fund is the *Enterprise, School Nutrition Fund*. This fund is used to account for the food service operations of the District.
- Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others, such as a scholarship fund. The District's fiduciary funds include the Agency Fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The District uses different funds in accordance with the Uniform Financial Accounting for Iowa Lea's, as required by the Iowa Department of Education, to record its financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the General Fund.

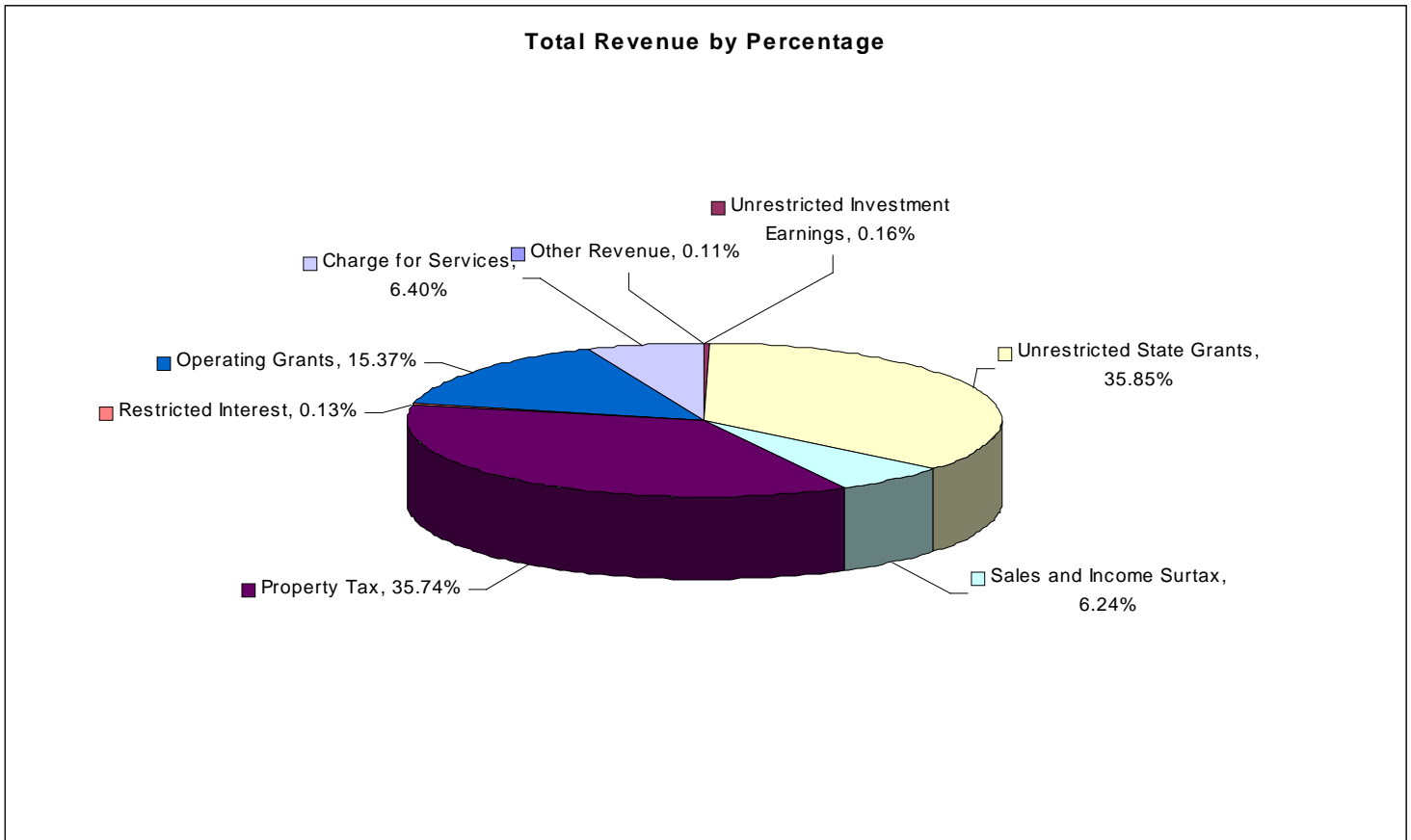
The School District as a Whole

Overall district wide net assets improved \$42,073 for the year due to the fact that revenue increases for the year were greater than expenses increases and the District is retiring debt at a faster rate than capital assets are depreciating.

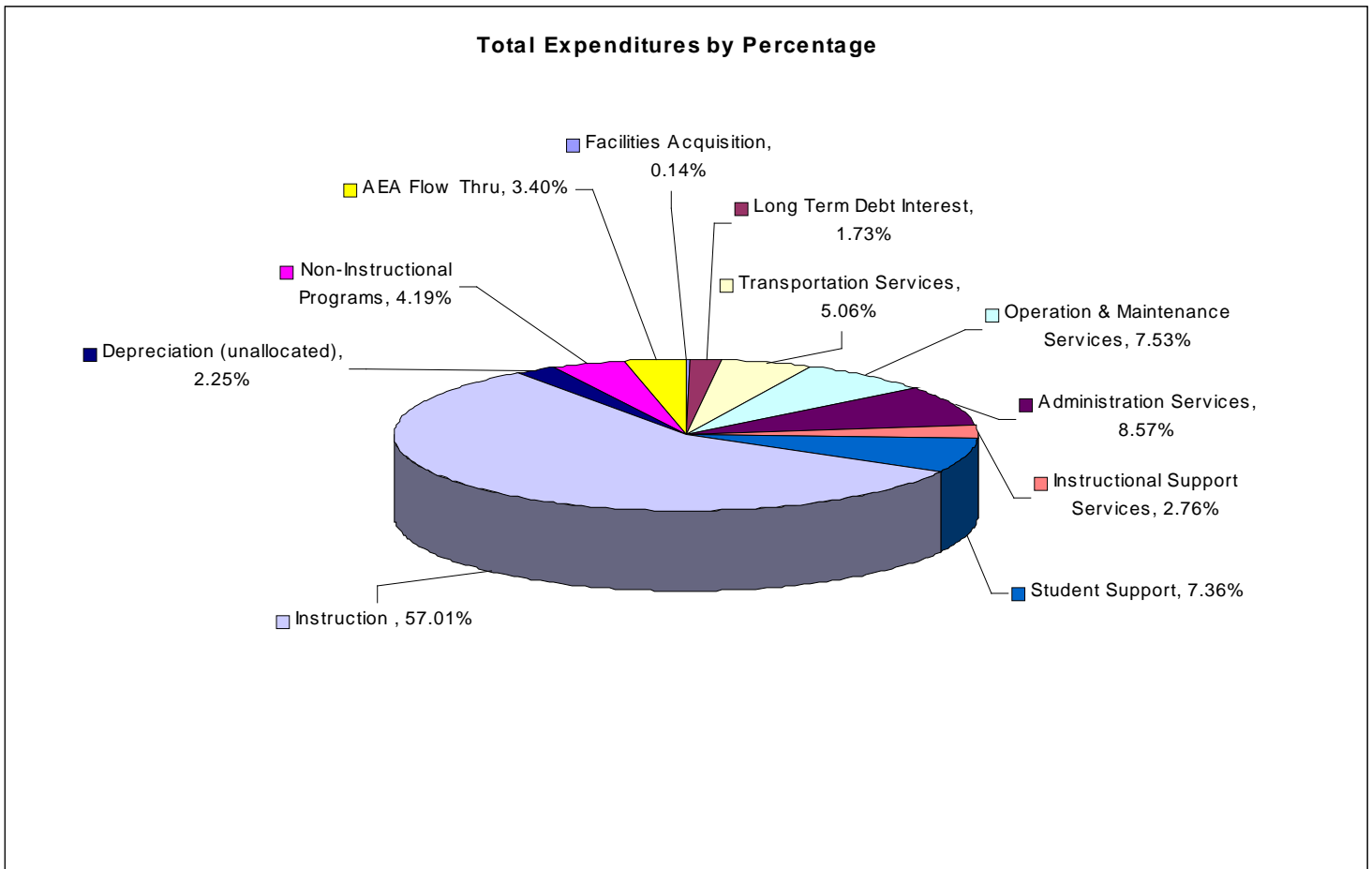
The following is a summary perspective of the statement of net assets of the District as a whole for the year ending June 30, 2004. The Howard-Winneshiek Community School District's net assets at the end of the fiscal year 2004 totaled \$7,482,965.

	Changes in Net Assets						Total Percentage Change
	Governmental		Business-Type				
	Activities		Activities		Total		
	2003	2004	2003	2004	2003	2004	
Revenue							
Program Revenue							
Charges for Services	\$ 617,745	\$ 556,387	\$ 319,916	\$ 306,527	\$ 937,661	\$ 862,914	-7.97%
Operating Grants	1,690,876	1,823,193	245,613	249,160	1,936,489	2,072,353	7.02%
Capital Grants and Restricted Interest	2,491	2,656	-	14,295	2,491	16,951	580.49%
General Revenue							
Property Taxes	4,956,323	4,818,768	-	-	4,956,323	4,818,768	-2.78%
Sales and Income Surtax	693,073	841,039	-	-	693,073	841,039	21.35%
Unrestricted State Grants	4,986,830	4,833,029	-	-	4,986,830	4,833,029	-3.08%
Unrestricted Investment Earnings	33,315	21,687	176	239	33,491	21,926	-34.53%
Other Revenue	40,208	15,256	-	-	40,208	15,256	-62.06%
Gain on Sale of Equipment	13,168	-	-	-	13,168	-	-100.00%
Total Revenue	13,034,029	12,912,015	565,705	570,221	13,599,734	13,482,236	-0.86%
Program Expense							
Instruction	7,099,252	7,661,634	-	-	7,099,252	7,661,634	7.92%
Student Support	829,777	989,784	-	-	829,777	989,784	19.28%
Instructional Support Services	342,441	370,730	-	-	342,441	370,730	8.26%
Administration Services	1,095,335	1,151,545	-	-	1,095,335	1,151,545	5.13%
Operation and Maintenance Services	950,571	1,012,072	-	-	950,571	1,012,072	6.47%
Transportation Services	624,985	679,896	-	-	624,985	679,896	8.79%
Long Term Debt Interest	258,433	232,722	-	-	258,433	232,722	-9.95%
Facilities Acquisition	24,062	18,747	-	-	24,062	18,747	-22.09%
AEA Flow Thru	491,537	457,337	-	-	491,537	457,337	-6.96%
Non-Instructional Programs	5,636	19,380	543,356	543,392	548,992	562,772	2.51%
Depreciation (Unallocated)	302,506	302,924	-	-	302,506	302,924	0.14%
Total Expenses	12,024,535	12,896,771	543,356	543,392	12,567,891	13,440,163	6.94%
Changes in net assets	1,009,494	15,244	22,349	26,829	1,031,843	42,073	
NET ASSETS Beginning of Year	6,349,188	7,358,682	59,861	82,210	6,409,049	7,440,892	
NET ASSETS End of Year	\$ 7,358,682	\$ 7,373,926	\$ 82,210	\$ 109,039	\$ 7,440,892	\$ 7,482,965	

The following chart indicates the District Revenue by percentage:



The following chart indicates total District Expenses by percentage:



Howard-Winneshiek Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

A comparative analysis of fiscal year 2003 to 2004 follows:

<u>Condensed Statement of Net Assets</u>							Total Percentage Change
	Governmental Activities		Business-Type Activities		Total		
	2003	2004	2003	2004	2003	2004	2004
Current and Other Assets	\$8,960,216	\$8,284,534	\$78,836	\$100,692	\$9,039,052	\$8,385,226	-7.23%
Capital Assets	9,606,104	9,319,462	36,810	39,392	\$9,642,914	\$9,358,854	-2.95%
Total Assets	18,566,320	17,603,996	115,646	140,084	18,681,966	17,744,080	-5.02%
Long-Term Obligations	5,721,090	5,001,738	0	0	\$5,721,090	\$5,001,738	-12.57%
Other Liabilities	5,486,548	5,228,332	33,436	31,045	\$5,519,984	\$5,259,377	-4.72%
Total Liabilities	11,207,638	10,230,070	33,436	31,045	11,241,074	10,261,115	-8.72%
Invested in Capital Assets net of related debt	3,925,805	4,420,989	36,810	39,392	\$3,962,615	\$4,460,381	12.56%
Restricted	865,248	1,196,016	0	0	\$865,248	\$1,196,016	38.22%
Unrestricted	2,567,629	1,756,921	45,400	69,647	\$2,613,029	\$1,826,568	-30.10%
Total Net Assets	\$7,358,682	\$7,373,926	\$82,210	\$109,039	\$7,440,892	\$7,482,965	0.57%

Financial Analysis of the District's Funds

The District's governmental funds reported combined fund balances of **\$2,569,693**, a **\$366,503** decrease from the 2003 fiscal year end balance of **\$2,936,196**. The primary reason for the decrease in combined fund balance for fiscal year 2004 was due to the increase in expenditures in the General Fund. The District's General Fund (including the Instructional Support Fund) end of year cash balance decreased \$480,316 to \$2,367,437 from the 2003 fiscal year end balance of \$2,847,753.

Proprietary Fund Highlights

In fiscal 2004 the revenues of the District's food service activities were \$570,221 and expenses were \$543,392. The School Nutrition Fund net assets increased \$26,829 in fiscal year 2004. The District received \$54,426 in federal commodities.

Budgetary Highlights

In accordance with the Code of Iowa, the District's Board of Education annually adopts a budget, following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year as allowed by Iowa law to reflect the additional revenues and expenditures that may occur during the school year. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the combined functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

The following charts show the original budget for the fiscal year 2004 as well as actual receipts and disbursements for the year:

Budget Comparison Schedule of Receipts, Disbursements and Change in Balances –
 Budget and Actual (Cash Basis) – All Governmental Funds
 And Proprietary Fund
 Required Supplementary Information
 Year Ended June 30, 2004

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
RECEIPTS:					
Local sources	\$ 6,246,798	\$ 306,598	\$ 6,553,396	\$ 6,467,220	\$ 86,176
State sources	5,795,356	7,707	5,803,063	6,002,736	(199,673)
Federal sources	898,139	241,453	1,139,592	750,375	389,217
Total receipts	12,940,293	555,758	13,496,051	13,220,331	275,720
DISBURSEMENTS:					
Instruction	7,634,641	-	7,634,641	7,883,630	248,989
Support services	4,168,472	-	4,168,472	4,433,246	264,774
Non-instructional programs	19,492	543,484	562,976	593,494	30,518
Other expenditures	1,504,037	-	1,504,037	1,761,275	257,238
Total disbursements	13,326,642	543,484	13,870,126	14,671,645	801,519
Excess (deficiency) of receipts over (under) disbursements	(386,349)	12,274	(374,075)	(1,451,314)	1,077,239
Other financing sources, net	2,811	-	2,811	5,888	(3,077)
Excess (deficiency) of receipts and other financing sources over (under) disbursements	(383,538)	12,274	(371,264)	(1,445,426)	1,074,162
Balance beginning of year	3,748,411	48,264	3,796,675	2,388,431	1,408,244
Balance end of year	\$ 3,364,873	\$ 60,538	\$ 3,425,411	\$ 943,005	\$ 2,482,406

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information
Year Ended June 30, 2004

Governmental Funds			
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 12,940,293	\$ 25,015	\$ 12,965,308
Expenditures	13,326,642	7,980	13,334,622
Net	(386,349)	17,035	(369,314)
Other financing sources (uses)	2,811	-	2,811
Beginning fund balances	3,748,411	(812,215)	2,936,196
Ending fund balances	<u>\$ 3,364,873</u>	<u>\$ (795,180)</u>	<u>\$ 2,569,693</u>
Proprietary Fund			
	Enterprise		
	Cash	Accrual	Accrual
	Basis	Adjust- ments	Basis
Revenues	\$ 555,758	\$ 14,463	\$ 570,221
Expenses	543,484	(92)	543,392
Net	12,274	14,555	26,829
Beginning net assets	48,264	33,946	82,210
Ending net assets	<u>\$ 60,538</u>	<u>\$ 48,501</u>	<u>\$ 109,039</u>

Howard-Winneshiek Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

Capital Assets and Debt Administration

Capital Assets

At the end of the 2004 fiscal year, the District had invested \$9,358,854, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, vehicles, technology and computers, audio-visual equipment, classroom equipment and transportation equipment. This amount represents a net decrease of \$284,060 or negative 2.95 percent from last year. More detailed information about capital assets is available in the Capital Assets chart below. Total depreciation expense for the year (excluding land) was \$468,752.

Capital Assets, (net of depreciation)

	Governmental Activities		Business-type Activities		Total School District		Total % Change
	2003	2004	2003	2004	2003	2004	2003-04
Land (not being depreciated)	347,902	347,902	0	0	347,902	347,902	0.00%
Buildings	8,615,523	8,322,154	0	0	8,615,523	8,322,154	-3.41%
Improvements other than buildings	63,771	54,186	0	0	63,771	54,186	-15.03%
Furniture and Equipment	578,908	595,220	36,810	39,392	615,718	634,612	3.07%
Total	9,606,104	9,319,462	36,810	39,392	9,642,914	9,358,854	-2.95%

Howard-Winneshiek Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

Long-Term Debt

At June 30, 2004, the District had \$5,001,738 in general obligation and other long-term debt outstanding. This represents a decrease of 12.57% from last year. More detailed information about the District's long-term liabilities is available in the District's audit report Note 5 to the financial statements.

Outstanding Long-Term Obligations

	Total	Total	Total
	School District	School District	Change
	2004	2003	2003-04
Early Retirement	103,265	40,791	153.16%
General Obligation Bonds	3,000,000	3,425,000	-12.41%
Local Option Sales and Service Tax Revenue Bonds	150,000	150,000	0.00%
Energy Loan Note	0	64,298	-100.00%
Installment Purchase Contract	63,001	126,001	-50.00%
Capital Lease Purchase Agreement	<u>1,685,472</u>	<u>1,915,000</u>	<u>-11.99%</u>
Totals	<u><u>5,001,738</u></u>	<u><u>5,721,090</u></u>	<u><u>-12.57%</u></u>

On April 1, 2002, the District issued general obligation refunding bonds of \$3,830,000 with an interest rate of 4.50% to refund the June 1, 1993 general obligation bonds with interest rates from 4.80% to 5.80%. The June 1, 1993 general obligation bonds were called and refunded on May 1, 2002.

As a result of the refunding, the District will reduce its total debt service requirements over the life of the bonds by \$124,160, which will result in a present value economic gain of \$77,445.

In 2001 the District has entered into a 28E agreement with Northeast Iowa Community College for the construction, ownership, maintenance, and administration of a school building to be used jointly by the District and the College. At the end of five years, the College has the opportunity to acquire the project outright from the District for 100% of the remaining Debt Service plus the appraisal value of the real estate in the amount of \$105,000, subject to a 2% per annum escalation. If the College does not exercise their purchase option, the District has the option to purchase the facility for \$1 at the end of the ten years.

The District also has outstanding long term obligations payable from local option sales and tax revenue bonds, physical plant and equipment fund, and capital project funds as of June 30, 2004.

Howard-Winneshiek Community School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the near future.

- Revenue received by the State of Iowa continues to be less than original projections. For fiscal year 2005, state aid will fund 73% of the \$4,864 the District spends per student. Any reduction in state aid would adversely impact the District's ability to fund program and services at current levels.
- The State of Iowa imposed a 2.5% reduction in state foundation aid in October 2003, which reduced state revenues. Since the reduction occurred mid year, the District had already obligated the resources to fund fiscal 2004 salaries and programs. The District responded to the reduction by using a portion of the District's unreserved, undesignated fund balance. Also, the unspent authorized budget for the District decreased by \$229,109 at fiscal year end.
- The proposed IPERS legislation for an increase in employer contributions will negate an increase in employer provided benefits. Contribution requirements will be established by State statute.
- The District experienced an increase of 35 students in enrollment in 2004, however, projections indicate a decline in enrollment for 2005. Future enrollment stability is a critical element in maintaining a sound financial foundation. The district has reserves to handle a short-term dip in revenue. However, once the decline reaches a certain level the Board of Education will be faced with the challenge of reducing staff and/or programs or closing buildings to maintain a positive solvent position.
- Fiscal year 2004 was the last year of a three-year federal grant to fund the After-School program. Federal grant carryover will determine the future of this program.
- Due to declining revenues, the District will not continue its transportation vehicle replacement program of two buses every year at an approximate cost of \$110,000 from the General Fund.
- The ten year debt service schedule energy loan note in the amount of \$522,800 for roof top furnaces at the high school was remunerated. This debt elimination will make additional monies available in the General Fund for building and transportation increased fuel costs.
- In fiscal 2004 the District entered into a three-year contract with the Howard-Winneshiek Education Association (HWEA) and the Howard-Winneshiek Clerical Association (HWCA). Salaries and benefits will increase in accord with salary schedule step plus cost of health insurance subsidy. Bus driver and food service master contracts will need to be negotiated.
- In May, 2003, the patrons of the District approved a Howard County 1 cent local sales and services tax for school infrastructure projects which includes the payment or retirement of bonds previously issued for school infrastructure. The Board of Education will have the option to determine whether or not to use a portion of the proceeds for debt service tax levy reduction.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Janet Kreitzer, District Secretary/Treasurer and Business Manager, Howard-Winneshiek Community School District, 1000 Schroder Drive, Cresco, IA 52136

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Basic Financial Statements

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 3,364,873	\$ 60,538	\$ 3,425,411
Receivables:			
Property tax:			
Current year	80,009	-	80,009
Succeeding year	4,083,934	-	4,083,934
Income surtax	515,513	-	515,513
Accounts	7,124	309	7,433
Due from other governments	233,081	-	233,081
Inventories	-	39,845	39,845
Capital assets, net of accumulated depreciation (note 4)	9,319,462	39,392	9,358,854
Total assets	17,603,996	140,084	17,744,080
Liabilities			
Accounts payable	108,021	488	108,509
Salaries and benefits payable	985,429	30,557	1,015,986
Early retirement payable	21,944	-	21,944
Accrued interest payable	29,004	-	29,004
Deferred revenue:			
Succeeding year property tax	4,083,934	-	4,083,934
Long-term liabilities (note 5):			
Portion due within one year:			
Bonds payable	445,000	-	445,000
Early retirement payable	6,542	-	6,542
Installment purchase contract	63,001	-	63,001
Capital lease purchase agreement	155,472	-	155,472
Portion due after one year:			
Bonds payable	2,705,000	-	2,705,000
Early retirement payable	96,723	-	96,723
Capital lease purchase agreement	1,530,000	-	1,530,000
Total liabilities	10,230,070	31,045	10,261,115

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 4,420,989	\$ 39,392	\$ 4,460,381
Restricted for:			
Physical plant and equipment levy	404,684	-	404,684
Other special revenue purposes	328,057	-	328,057
Debt service	9,514	-	9,514
Capital projects	453,761	-	453,761
Unrestricted	<u>1,756,921</u>	<u>69,647</u>	<u>1,826,568</u>
Total net assets	<u>\$ 7,373,926</u>	<u>\$ 109,039</u>	<u>\$ 7,482,965</u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 4,910,360	\$ 180,797	\$ 428,425	\$ -
Special instruction	1,687,169	2,178	256,673	-
Other instruction	1,064,105	333,748	122,195	2,656
	<u>7,661,634</u>	<u>516,723</u>	<u>807,293</u>	<u>2,656</u>
Support services:				
Student services	989,784	-	505,417	-
Instructional staff services	370,730	-	3,900	-
Administration services	1,151,545	-	2,000	-
Operation and maintenance of plant services	1,012,072	422	-	-
Transportation services	679,896	34,824	47,246	-
	<u>4,204,027</u>	<u>35,246</u>	<u>558,563</u>	<u>-</u>
Non-instructional programs	<u>19,380</u>	<u>4,418</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	18,747	-	-	-
Long-term debt interest and fiscal charges	232,722	-	-	-
AEA flowthrough	457,337	-	457,337	-
Depreciation (unallocated) *	302,924	-	-	-
	<u>1,011,730</u>	<u>-</u>	<u>457,337</u>	<u>-</u>
Total governmental activities	12,896,771	556,387	1,823,193	2,656
Business-Type Activities:				
Non-instructional programs:				
Food service operations	<u>543,392</u>	<u>306,527</u>	<u>249,160</u>	<u>14,295</u>
Total	\$ 13,440,163	\$ 862,914	\$ 2,072,353	\$ 16,951

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (4,301,138)	\$ -	\$ (4,301,138)
(1,428,318)	-	(1,428,318)
(605,506)	-	(605,506)
<u>(6,334,962)</u>	<u>-</u>	<u>(6,334,962)</u>
(484,367)	-	(484,367)
(366,830)	-	(366,830)
(1,149,545)	-	(1,149,545)
(1,011,650)	-	(1,011,650)
(597,826)	-	(597,826)
<u>(3,610,218)</u>	<u>-</u>	<u>(3,610,218)</u>
<u>(14,962)</u>	<u>-</u>	<u>(14,962)</u>
(18,747)	-	(18,747)
(232,722)	-	(232,722)
-	-	-
(302,924)	-	(302,924)
<u>(554,393)</u>	<u>-</u>	<u>(554,393)</u>
(10,514,535)	-	(10,514,535)
-	26,590	26,590
<u>(10,514,535)</u>	<u>26,590</u>	<u>(10,487,945)</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Income surtax

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation that is included
in the direct expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ 4,134,358	\$ -	\$ 4,134,358
559,295	-	559,295
125,115	-	125,115
461,793	-	461,793
379,246	-	379,246
4,833,029	-	4,833,029
21,687	239	21,926
15,256	-	15,256
10,529,779	239	10,530,018
15,244	26,829	42,073
7,358,682	82,210	7,440,892
<u>\$ 7,373,926</u>	<u>\$ 109,039</u>	<u>\$ 7,482,965</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	General	Nonmajor Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Funds</u>	<u>Funds</u>
Assets			
Cash and pooled investments	\$ 2,367,437	\$ 997,436	\$ 3,364,873
Receivables:			
Property tax:			
Current year	66,907	13,102	80,009
Succeeding year	3,368,850	715,084	4,083,934
Income surtax	317,239	198,274	515,513
Accounts	6,879	245	7,124
Due from other governments	137,144	95,937	233,081
	<u>137,144</u>	<u>95,937</u>	<u>233,081</u>
Total assets	\$ <u>6,264,456</u>	\$ <u>2,020,078</u>	\$ <u>8,284,534</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 93,012	\$ 15,009	\$ 108,021
Salaries and benefits payable	985,429	-	985,429
Deferred revenue:			
Succeeding year property tax	3,368,850	715,084	4,083,934
Other	317,239	198,274	515,513
Early retirement payable (note 5)	11,566	10,378	21,944
Total liabilities	<u>4,776,096</u>	<u>938,745</u>	<u>5,714,841</u>
Fund balance:			
Reserved for:			
Local options sales and services tax revenue bonds	-	15,000	15,000
Debt service	-	32,014	32,014
Unreserved:			
Reported in nonmajor Special Revenue Funds	-	594,975	594,975
Undesignated	1,488,360	439,344	1,927,704
Total fund balances	<u>1,488,360</u>	<u>1,081,333</u>	<u>2,569,693</u>
Total liabilities and fund balances	\$ <u>6,264,456</u>	\$ <u>2,020,078</u>	\$ <u>8,284,534</u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2004

Total fund balances of governmental funds	\$ 2,569,693
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	9,319,462
Other long-term assets, including income surtax receivable, are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	515,513
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(29,004)
Long-term liabilities, including bonds and notes payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(5,001,738)</u>
Net assets of governmental activities	<u><u>\$ 7,373,926</u></u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	General	Nonmajor Governmental Funds	Total
Revenues:			
Local sources:			
Local tax	\$ 4,333,880	\$ 1,377,534	\$ 5,711,414
Tuition	150,482	-	150,482
Other	97,951	357,003	454,954
State sources	5,790,854	611	5,791,465
Federal sources	856,993	-	856,993
Total revenues	11,230,160	1,735,148	12,965,308
Expenditures:			
Current:			
Instruction:			
Regular instruction	4,813,536	54,725	4,868,261
Special instruction	1,708,063	-	1,708,063
Other instruction	733,344	325,478	1,058,822
	7,254,943	380,203	7,635,146
Support services:			
Student services	986,337	3,447	989,784
Instructional staff services	370,730	-	370,730
Administration services	1,062,404	78,575	1,140,979
Operation and maintenance of plant services	966,414	35,092	1,001,506
Transportation services	640,448	40,876	681,324
	4,026,333	157,990	4,184,323
Non-instructional programs	-	19,380	19,380
Other expenditures:			
Facilities acquisition	-	18,747	18,747
Long term debt:			
Principal	-	781,826	781,826
Interest and fiscal charges	-	237,863	237,863
AEA flowthrough	457,337	-	457,337
	457,337	1,038,436	1,495,773
Total expenditures	11,738,613	1,596,009	13,334,622
Excess (deficiency) of revenues over (under) expenditures	(508,453)	139,139	(369,314)

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	General	Nonmajor Governmental Funds	Total
Other financing sources (uses):			
Sale of equipment	\$ 2,655	\$ -	\$ 2,655
Compensation for loss of capital assets	156	-	156
Interfund transfers in	1,313	444,989	446,302
Interfund transfers out	(66,106)	(380,196)	(446,302)
Total other financing sources (uses)	<u>(61,982)</u>	<u>64,793</u>	<u>2,811</u>
Net change in fund balances	(570,435)	203,932	(366,503)
Fund balances beginning of year	<u>2,058,795</u>	<u>877,401</u>	<u>2,936,196</u>
Fund balances end of year	<u>\$ 1,488,360</u>	<u>\$ 1,081,333</u>	<u>\$ 2,569,693</u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ (366,503)

Amounts reported for governmental activities in the statement of activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 170,397	
Depreciation expense	<u>(457,039)</u>	(286,642)

Certain income surtax not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the statement of activities. (56,104)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. 781,826

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 5,141

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (62,474)

Change in net assets of governmental activities \$ 15,244

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUND

June 30, 2004

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 60,538
Accounts receivable	309
Inventories	39,845
Capital assets, net of accumulated depreciation	<u>39,392</u>
Total assets	<u>140,084</u>
Liabilities	
Accounts payable	488
Salaries and benefits payable	<u>30,557</u>
Total liabilities	<u>31,045</u>
Net Assets	
Invested in capital assets	39,392
Unrestricted	<u>69,647</u>
Total net assets	<u>\$ 109,039</u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2004

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>306,527</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	215,621
Benefits	52,211
Purchased services	9,356
Supplies	254,027
Depreciation	11,713
Other	464
	<u>543,392</u>
Operating loss	<u>(236,865)</u>
Non-operating revenues:	
Interest on investments	239
Capital contributions	14,295
State sources	7,707
Federal sources	<u>241,453</u>
Total non-operating revenues	<u>263,694</u>
Change in net assets	26,829
Net assets beginning of year	<u>82,210</u>
Net assets end of year	\$ <u><u>109,039</u></u>

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 Year Ended June 30, 2004

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 290,445
Cash received from miscellaneous operating activities	15,914
Cash payments to employees for services	(270,223)
Cash payments to suppliers for goods or services	<u>(218,835)</u>
Net cash used in operating activities	<u>(182,699)</u>
Cash flows from non-capital financing activities:	
State grants received	7,707
Federal grants received	<u>187,027</u>
Net cash provided by non-capital financing activities	<u>194,734</u>
Cash flows from investing activities:	
Interest on investments	<u>239</u>
Net increase in cash and cash equivalents	12,274
Cash and cash equivalents beginning of year	<u>48,264</u>
Cash and cash equivalents end of year	<u>\$ 60,538</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (236,865)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	11,713
Commodities used	54,426
(Increase) in accounts receivable	(168)
(Increase) in inventories	(9,414)
(Decrease) in salaries and benefits payable	<u>(2,391)</u>
Net cash used in operating activities	<u>\$ (182,699)</u>
Non-cash investing, capital and financing activities:	
During the year ended June 30, 2004, the District received \$54,426 of federal commodities.	

See notes to financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2004

	<u>Agency</u>
Assets:	
Cash and pooled investments	\$ <u>18,033</u>
Liabilities:	
Other payable	\$ <u>18,033</u>
See notes to financial statements.	

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

Howard-Winneshiek Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Cresco, Iowa, portions of the Cities of Ridgeway, Lime Springs, and Elma, Iowa, and the agricultural territory in Howard and Winneshiek Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Howard-Winneshiek Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Howard-Winneshiek Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Howard and Winneshiek County Assessor's Conference Boards.

B. Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental fund:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The District reports the following proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Income surtax receivable – Income surtax budgeted for the fiscal year ended June 30, 2004 will not be received by the District until the fiscal year ending June 30, 2005. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on a modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ -
Buildings	25,000
Improvements other than buildings	25,000
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	15-50 years
Improvements other than buildings	10-15 years
Furniture and equipment	4-20 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse employees for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liabilities at June 30, 2004.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Management Levy	\$ 1,313
Debt Service	General	66,106
	Special Revenue:	
	Physical Plant and Equipment Levy	238,528
	Capital Projects	<u>140,355</u>
Total		\$ <u><u>446,302</u></u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 347,902	\$ -	\$ -	\$ 347,902
Capital assets being depreciated:				
Buildings	12,338,369	-	-	12,338,369
Improvements other than buildings	177,320	-	-	177,320
Furniture and equipment	2,216,372	170,397	85,974	2,300,795
Total capital assets being depreciated	14,732,061	170,397	85,974	14,816,484
Less accumulated depreciation for:				
Buildings	3,722,846	293,369	-	4,016,215
Improvements other than buildings	113,549	9,585	-	123,134
Furniture and equipment	1,637,464	154,085	85,974	1,705,575
Total accumulated depreciation	5,473,859	457,039	85,974	5,844,924
Total capital assets being depreciated, net	9,258,202	(286,642)	-	8,971,560
Governmental activities capital assets, net	\$ 9,606,104	\$ (286,642)	\$ -	\$ 9,319,462

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 4. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 287,598	\$ 14,295	\$ -	\$ 301,893
Less accumulated depreciation	250,788	11,713	-	262,501
Business-type activities capital assets, net	<u>\$ 36,810</u>	<u>\$ 2,582</u>	<u>\$ -</u>	<u>\$ 39,392</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction:

Regular	\$ 5,284
Other	5,283

Support services:

Administration	10,566
Operation and maintenance of plant services	10,566
Transportation	122,416
	<u>154,115</u>
Unallocated depreciation	<u>302,924</u>

Total governmental activities depreciation expense \$ 457,039

Business-type activities:

Food service operations	<u>\$ 11,713</u>
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HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

		Early	General	Local Option Sales and Services Tax Revenue Bonds	Energy Loan Note	Installment Purchase Agreement	Capital Lease Agreement	Total
		Retirement	Obligation Bonds					
Balance beginning of year	\$	40,791	\$ 3,425,000	\$ 150,000	\$ 64,298	\$ 126,001	\$ 1,915,000	\$ 5,721,090
Additions		92,736	-	-	-	-	-	92,736
Reductions		30,262	425,000	-	64,298	63,000	229,528	812,088
Balance end of year	\$	<u>103,265</u>	<u>\$ 3,000,000</u>	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ 63,001</u>	<u>\$ 1,685,472</u>	<u>\$ 5,001,738</u>
Due within one year	\$	<u>6,542</u>	<u>\$ 445,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,001</u>	<u>\$ 155,472</u>	<u>\$ 670,015</u>

Early Retirement

The District offers a voluntary early retirement plan to its support staff and certified employees. Eligible employees must have completed fifteen years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 35% (Administrator) or 45% (Teachers) of the difference between the BA base salary and the employee's position on the salary schedule in the last year of employment or 25% (Support Staff) of the employee's base salary during the last year of employment. Early retirement benefits paid during the year ended June 30, 2004, totaled \$44,559. The cost of early retirement payments expected to be liquidated currently is recorded as liabilities of the Special Revenue, Management Fund and the General Fund in the fund financial statements and as a liability of the Governmental Activities in the District-wide financial statements. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 5. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2004 general obligation refunding bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2005	4.50 %	\$ 445,000	\$ 130,050	\$ 575,050
2006	4.50	465,000	109,801	574,801
2007	4.50	485,000	88,650	573,650
2008	4.50	515,000	66,488	581,488
2009	4.50	535,000	43,088	578,088
2010	4.50	555,000	18,788	573,788
		<u>\$ 3,000,000</u>	<u>\$ 456,865</u>	<u>\$ 3,456,865</u>

During the year ended June 30, 2004, the District retired \$425,000 of general obligation bonds.

Local Option Sales and Services Tax Revenue Bonds

Details of the District's June 30, 2004 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2005	5.00 %	\$ -	\$ 7,000	\$ 7,000
2006	5.00	-	7,000	7,000
2007	5.00	-	7,000	7,000
2008	5.00	30,000	7,000	37,000
2009	5.00	40,000	5,500	45,500
2010	4.30	40,000	3,500	43,500
2011	4.45	40,000	1,780	41,780
		<u>\$ 150,000</u>	<u>\$ 38,780</u>	<u>\$ 188,780</u>

The local option sales and services tax revenue bonds were issued for school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District in accordance with Chapter 422B.12 of the Code of Iowa. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitation of the District.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 5. Long-Term Liabilities (continued)

Local Option Sales and Services Tax Revenue Bonds (continued)

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the local option sales and services tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- (b) A reserve will be maintained in the amount of \$15,000 to be used solely for the purpose of paying principal and interest in the event the local option sales and services tax revenues are not sufficient for that purpose.

Installment Purchase Contract

During the year ended June 30, 2002, the District entered into an interest-free contract with the Iowa Department of Transportation for the purchase of 9.89 acres of land. The contract purchase price of \$252,001 will be paid in four equal annual installments. The contract will be paid from the Capital Projects Fund using local option sales and services tax revenues.

Details of the District's June 30, 2004 installment purchase contract indebtedness are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>
2005	\$ <u>63,001</u>

During the year ended June 30, 2004 the District paid \$63,000 on the contract.

Capital Lease Purchase Agreement

The District has entered into a 28E agreement with Northeast Iowa Community College for the construction, ownership, operation, maintenance, and administration of a school building to be used jointly by the District and the College. The College is responsible for construction, debt, and normal operating costs of the building. The District is responsible for capital improvements. In September 2001, the District finalized a ten year lease purchase agreement with the College for use of the facilities. The College will also be paying the District \$30,000 in rent each year. At the end of five years, the College has the opportunity to acquire the project outright from the District for 100% of the remaining Debt Service plus the appraisal value of the real estate in the amount of \$105,000, subject to a 2% per annum escalation. If the College does not exercise their purchase option, the District has the option to purchase the facility for \$1 at the end of the ten years.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 5. Long-Term Liabilities (continued)

Capital Lease Purchase Agreement (continued)

Details of the District's June 30, 2004 capital lease purchase agreement indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	3.65 %	\$ 155,472	\$ 71,057	\$ 226,529
2006	3.80	200,000	65,382	265,382
2007	4.00	210,000	57,782	267,782
2008	4.20	215,000	49,382	264,382
2009	4.35	225,000	40,352	265,352
2010	4.40	235,000	30,565	265,565
2011	4.50	245,000	20,226	265,226
2012	4.60	200,000	9,200	209,200
		<u>\$ 1,685,472</u>	<u>\$ 343,946</u>	<u>\$ 2,029,418</u>

During the year ended June 30, 2004 the District paid \$229,528 on the capital lease purchase agreement.

Note 6. Operating Lease

The District is obligated under a copier equipment lease accounted for as an operating lease. Operating leases do not give rise to property rights or lease obligations and therefore are not reflected on the District's Statement of Net Assets. The agreement provides for monthly lease payments of \$3,348 during the term of the lease.

The total noncancelable future minimum lease payments under the lease agreement are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2005	\$ 40,178
2006	40,178
2007	23,437
	<u>\$ 103,793</u>

Total payments under the lease agreement for the year ended June 30, 2004 were \$40,178.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$399,650, \$381,459, and \$382,287 respectively, equal to the required contributions for each year.

Note 8. Risk Management

Howard-Winneshiek Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Self Insurance –

Health – Effective September 1, 1998 four school districts adopted a resolution to establish a 28E organization to provide an insurance plan for employee medical coverage. Since inception, five new school districts have been added to the trust for a total of nine districts currently participating in the plan. The Districts contribute to the self-insurance plan an amount equal to 125% of regular insurance coverage. The fund re-insures for stop-loss insurance for claims in excess of \$80,000 per year per individual. An insurance claims carrier is paid an administrative fee to process the claims.

Dental – The District has dental coverage insurance under this 28E organization for employee dental coverage. The District contributes to the self-insurance. Professional services through the plan for the participants are limited to a combined maximum payment of \$500 per member per benefits period.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 8. Risk Management (continued)

Self Insurance (continued)

The District paid \$1,763,698 in premiums to fund the plan July 1, 2003 to June 30, 2004. The total premiums paid into the plan by all nine Districts and retirees for the same period was \$10,151,766. The 28E organization's balance sheet as of June 30, 2004 is as follows:

Assets

Funds on hand	\$ <u>3,435,819</u>
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Liabilities and Fund Equity

Reserve for incurred but not reported claims and reported claims not yet paid	\$ 1,288,990
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Undesignated funds	<u>2,146,829</u>
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	<u>\$ 3,435,819</u>
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Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$457,337 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Construction Commitments

The District entered into a contract totaling \$278,940 for a track improvement project. At June 30, 2004 none of the contract was completed. The remaining amount of the contract will be paid as work on the project progresses.

Note 11. Contingency-Lawsuit

The District has one ongoing lawsuit. The case is still in the discovery stage and the outcome can not be determined at this time. However, if the outcome is adverse the District's commercial insurance should be sufficient to cover any loss.

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Required Supplementary Information

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds
and Proprietary Fund
Required Supplementary Information
Year Ended June 30, 2004

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
RECEIPTS:					
Local sources	\$ 6,246,798	\$ 306,598	\$ 6,553,396	\$ 6,467,220	\$ 86,176
State sources	5,795,356	7,707	5,803,063	6,002,736	(199,673)
Federal sources	898,139	241,453	1,139,592	750,375	389,217
Total receipts	12,940,293	555,758	13,496,051	13,220,331	275,720
DISBURSEMENTS:					
Instruction	7,634,641	-	7,634,641	7,883,630	248,989
Support services	4,168,472	-	4,168,472	4,433,246	264,774
Non-instructional programs	19,492	543,484	562,976	593,494	30,518
Other expenditures	1,504,037	-	1,504,037	1,761,275	257,238
Total disbursements	13,326,642	543,484	13,870,126	14,671,645	801,519
Excess (deficiency) of receipts over (under) disbursements	(386,349)	12,274	(374,075)	(1,451,314)	1,077,239
Other financing sources, net	2,811	-	2,811	5,888	(3,077)
Excess (deficiency) of receipts and other financing sources over (under) disbursements	(383,538)	12,274	(371,264)	(1,445,426)	1,074,162
Balance beginning of year	3,748,411	48,264	3,796,675	2,388,431	1,408,244
Balance end of year	\$ 3,364,873	\$ 60,538	\$ 3,425,411	\$ 943,005	\$ 2,482,406

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
Required Supplementary Information
Year Ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 12,940,293	\$ 25,015	\$ 12,965,308
Expenditures	13,326,642	7,980	13,334,622
Net	(386,349)	17,035	(369,314)
Other financing sources (uses)	2,811	-	2,811
Beginning fund balances	3,748,411	(812,215)	2,936,196
Ending fund balances	<u>\$ 3,364,873</u>	<u>\$ (795,180)</u>	<u>\$ 2,569,693</u>
	Proprietary Fund		
	Cash Basis	Enterprise Accrual Adjust- ments	Accrual Basis
Revenues	\$ 555,758	\$ 14,463	\$ 570,221
Expenses	543,484	(92)	543,392
Net	12,274	14,555	26,829
Beginning net assets	48,264	33,946	82,210
Ending net assets	<u>\$ 60,538</u>	<u>\$ 48,501</u>	<u>\$ 109,039</u>

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

Other Supplementary Information

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2004

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service
Assets				
Cash and pooled investments	\$ 69,361	\$ 330,608	\$ 216,177	\$ 22,883
Receivables:				
Property tax:				
Current year	1,928	-	2,043	9,131
Succeeding year	338,284	-	128,705	248,095
Income surtax	-	-	198,274	-
Accounts	-	245	-	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 409,573</u>	<u>\$ 330,853</u>	<u>\$ 545,199</u>	<u>\$ 280,109</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 6,324	\$ 2,796	\$ 5,889	\$ -
Deferred revenue:				
Succeeding year property tax	338,284	-	128,705	248,095
Other	-	-	198,274	-
Early retirement payable	10,378	-	-	-
Total liabilities	<u>354,986</u>	<u>2,796</u>	<u>332,868</u>	<u>248,095</u>
Fund equity:				
Fund balances:				
Reserved for:				
Local option sales and services tax				
revenue bonds	-	-	-	-
Debt service	-	-	-	32,014
Unreserved:				
Undesignated	54,587	328,057	212,331	-
Total fund equity	<u>54,587</u>	<u>328,057</u>	<u>212,331</u>	<u>32,014</u>
Total liabilities and fund equity	<u>\$ 409,573</u>	<u>\$ 330,853</u>	<u>\$ 545,199</u>	<u>\$ 280,109</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
\$ 358,407	\$ 997,436
-	13,102
-	715,084
-	198,274
-	245
<u>95,937</u>	<u>95,937</u>
<u>\$ 454,344</u>	<u>\$ 2,020,078</u>
\$ -	\$ 15,009
-	715,084
-	198,274
-	10,378
<u>-</u>	<u>938,745</u>
15,000	15,000
-	32,014
<u>439,344</u>	<u>1,034,319</u>
<u>454,344</u>	<u>1,081,333</u>
<u>\$ 454,344</u>	<u>\$ 2,020,078</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2004

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service
Revenues:				
Local sources:				
Local tax	\$ 115,220	\$ -	\$ 324,180	\$ 558,888
Other	6,983	343,580	1,855	270
State sources	86	-	118	407
Total revenues	122,289	343,580	326,153	559,565
Expenditures:				
Current:				
Instruction:				
Regular instruction	54,725	-	-	-
Other instruction	-	325,478	-	-
Support services:				
Student services	3,447	-	-	-
Administration services	78,575	-	-	-
Operation and maintenance of plant services	29,203	-	5,889	-
Transportation services	40,876	-	-	-
Non instructional programs	19,380	-	-	-
Other expenditures:				
Facilities acquisition	-	-	15,247	-
Long term debt:				
Principal	-	-	-	781,826
Interest and fiscal charges	-	-	-	237,863
Total expenditures	226,206	325,478	21,136	1,019,689
Excess (deficiency) of revenues over (under) expenditures	(103,917)	18,102	305,017	(460,124)
Other financing sources (uses):				
Interfund transfers in	-	-	-	444,989
Interfund transfers out	(1,313)	-	(238,528)	-
Total other financing sources (uses)	(1,313)	-	(238,528)	444,989

	Capital Projects	Total
\$	379,246	\$ 1,377,534
	4,315	357,003
	-	611
	<u>383,561</u>	<u>1,735,148</u>
	-	54,725
	-	325,478
	-	3,447
	-	78,575
	-	35,092
	-	40,876
	-	19,380
	3,500	18,747
	-	781,826
	-	237,863
	<u>3,500</u>	<u>1,596,009</u>
	380,061	139,139
	-	444,989
	<u>(140,355)</u>	<u>(380,196)</u>
	<u>(140,355)</u>	<u>64,793</u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2004

	Special Revenue			
	Management	Student	Physical Plant and Equipment Levy	Debt Service
	Levy	Activity		
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ (105,230)	\$ 18,102	\$ 66,489	\$ (15,135)
Fund balances beginning of year	159,817	309,955	145,842	47,149
Fund balances end of year	<u>\$ 54,587</u>	<u>\$ 328,057</u>	<u>\$ 212,331</u>	<u>\$ 32,014</u>

See accompanying independent auditor's report.

<u>Capital Projects</u>	<u>Total</u>
\$ 239,706	\$ 203,932
<u>214,638</u>	<u>877,401</u>
<u><u>\$ 454,344</u></u>	<u><u>\$ 1,081,333</u></u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

Year Ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Activity Fees	\$ 32	\$ -	\$ -	\$ 32
AIASA/TSA Club	86	-	-	86
AFS	106	-	-	106
Alternative School Activities	235	-	-	235
Athletics	20,383	116,919	108,851	28,451
Business Club	245	-	-	245
Class of 2003	745	(745)	-	-
Class of 2004	464	3,071	3,465	70
Class of 2005	1,069	595	1,092	572
Class of 2006	597	670	44	1,223
Class of 2007	-	715	56	659
Concessions	1,875	9,300	9,990	1,185
Crest Newspaper	3,113	18	602	2,529
Crestwood Elementary Activity	19,230	55,302	44,198	30,334
Drama	9,440	1,153	995	9,598
Electric Blue	206	156	244	118
Future Farmers of America - FFA	92,180	40,619	39,050	93,749
Future Teachers of America - FTA	776	-	-	776
High School Cheerleaders	3,282	11,174	12,689	1,767
High School Student Council	6,212	13,013	12,304	6,921
Horticulture Club	472	140	174	438
Instrumental Music	1,930	5,233	6,876	287
Junior High Music	2,342	5,564	5,906	2,000
Junior High Student Council	5,684	16,373	21,931	126
Language Club	277	-	-	277
Magazine Sales	-	17,818	12,742	5,076
Midwest Aquatics	137	-	-	137
National Honor Society	615	100	-	715
Picture Money	2,364	298	-	2,662
Ridgeway Elementary Student Council	-	100	-	100
Robe Fund	9,251	744	-	9,995
Unallocated Interest Income	95,035	5,695	3,835	96,895
Vocal Music	20,175	16,594	14,947	21,822
Yearbook	8,849	19,620	21,228	7,241
SADD	828	1,271	1,947	152
VAR GBB Fundraiser	663	1,811	2,312	162
Honor Roll	1,057	259	-	1,316
Total	\$ 309,955	\$ 343,580	\$ 325,478	\$ 328,057

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2004

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 17,481	\$ 57,307	\$ 56,755	\$ 18,033
Accounts receivable	30	-	30	-
Total assets	<u>\$ 17,511</u>	<u>\$ 57,307</u>	<u>\$ 56,785</u>	<u>\$ 18,033</u>
Liabilities				
Accounts payable	\$ 90	\$ -	\$ 90	\$ -
Other payables	17,421	57,307	56,695	18,033
Total liabilities	<u>\$ 17,511</u>	<u>\$ 57,307</u>	<u>\$ 56,785</u>	<u>\$ 18,033</u>

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 5,711,414	\$ 5,611,324	\$ 4,808,287	\$ 4,530,401
Tuition	150,482	203,880	180,577	176,474
Other	454,954	485,414	497,521	572,461
State sources	5,791,465	5,972,894	6,067,773	5,927,542
Federal sources	856,993	678,277	529,192	296,651
Total revenues	<u>\$ 12,965,308</u>	<u>\$ 12,951,789</u>	<u>\$ 12,083,350</u>	<u>\$ 11,503,529</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 4,868,261	\$ 4,593,817	\$ 4,660,892	\$ 4,492,000
Special instruction	1,708,063	1,567,086	1,579,605	1,584,284
Other instruction	1,058,822	967,996	880,548	784,715
Support services:				
Student services	989,784	829,777	737,320	509,117
Instructional staff services	370,730	342,441	415,536	377,201
Administration services	1,140,979	1,093,583	1,025,889	963,457
Operation and maintenance of plant services	1,001,506	985,962	928,103	863,991
Transportation services	681,324	630,331	666,205	597,043
Non-instructional programs	19,380	5,636	6,000	6,636
Other expenditures:				
Facilities acquisition	18,747	30,394	2,457,419	94,776
Long-term debt:				
Principal	781,826	709,319	4,193,479	405,770
Interest and fiscal charges	237,863	281,622	361,199	241,944
AEA flowthrough	457,337	491,537	465,659	490,705
Total expenditures	<u>\$ 13,334,622</u>	<u>\$ 12,529,501</u>	<u>\$ 18,377,854</u>	<u>\$ 11,411,639</u>

See accompanying independent auditor's report.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2004

Grantor / Program	CFDA Number	Grant Number	Expenditures
Direct:			
U. S. Department of Education:			
Twenty-First Century Community Learning Centers	84.287	FY 04	\$ <u>232,809</u>
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Food Donation (non-cash)	10.550	FY 04	<u>54,426</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 04	24,891
National School Lunch Program	10.555	FY 04	156,856
National School Snack Program	10.555	FY 04	<u>5,280</u>
			<u>187,027</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	3029G FY 03	25,935
Title 1 Grants to Local Educational Agencies	84.010	3029GC	18,739
Title 1 Grants to Local Educational Agencies	84.010	3029G FY 04	<u>143,514</u>
			<u>188,188</u>
Improving Teacher Quality State Grants	84.367	FY 04	<u>69,623</u>
Grants for State Assessments and Related Activities	84.369	FY 04	<u>15,829</u>
Vocational Education - Basic Grants to States	84.048	FY 04	<u>22,492</u>
State Grants for Innovative Programs	84.298	FY 04	<u>7,984</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 04	<u>8,001</u>
Keystone Area Education Agency:			
Special Education - Grants to States	84.027	FY 04	<u>68,912</u>
Eisenhower Professional Development State Grants	84.281	FY 04	<u>7,040</u>
U. S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Medical Assistance Program	93.778	FY 04	<u>1,133</u>
Total			\$ <u><u>863,464</u></u>

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2004

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Howard-Winneshiek Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Education of
Howard-Winneshiek Community School District:

We have audited the financial statements of Howard-Winneshiek Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 23, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Howard-Winneshiek Community School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Howard-Winneshiek Community School District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Howard-Winneshiek Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-04 is a material weakness. Prior year reportable conditions have been resolved except for item II-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Howard-Winneshiek Community School District and other parties to whom Howard-Winneshiek Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Howard-Winneshiek Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
September 23, 2004

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE

To the Board of Education of
Howard-Winneshiek Community School District:

Compliance

We have audited the compliance of Howard-Winneshiek Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Howard-Winneshiek Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Howard-Winneshiek Community School District's management. Our responsibility is to express an opinion on Howard-Winneshiek Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U. S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Howard-Winneshiek Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Howard-Winneshiek Community School District's compliance with those requirements.

In our opinion, Howard-Winneshiek Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Howard-Winneshiek Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Howard-Winneshiek Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Howard-Winneshiek Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item III-A-04 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Howard-Winneshiek Community School District and other parties to whom Howard-Winneshiek Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
September 23, 2004

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.287 – Twenty-First Century Community Learning Centers
 - CFDA Number 84.367 – Improving Teacher Quality State Grants
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.555 – National School Snack Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Howard-Winneshiek Community School District did not qualify a low-risk auditee.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part II: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

- II-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits, bank reconciliations and all payroll activity are all done by the same person in the various funds.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We feel with the limited number of office employees, it will be difficult to further segregate duties. However, we will continue to investigate alternatives as responsibilities change and implement changes whenever possible.

Conclusion – Response accepted.

- II-B-04 Disbursement Approval – Out of forty-two disbursements tested, the Board had not approved one disbursement. The Board does have a written policy regarding payment prior to approval for certain types of expenditures. However, this particular disbursement was not later formally approved by the Board as the policy requires.

Recommendation – The procedures described in the above comment weaken the control that the Board has over disbursements. All disbursements should be approved by the Board.

Chapter 279.29 of the Code of Iowa provides that “the Board shall audit and allow all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed.”

Chapter 279.30 of the Code of Iowa allows payment of specific items, such as freight, utilities, postage, salaries and printing, without prior Board approval. In addition, the secretary, upon documentation of approval by the board president, may issue warrants for other verified bills prior to board approval when the board is not in session. All such bills must then be approved by the Board at the next meeting.

Response – We will review and implement this recommendation.

Conclusion – Response accepted.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part II: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

- II-C-04 Fundraisers – Supporting documentation for fundraiser income is being kept by individual activity club sponsors. There are no set procedures in place to review this information for completeness and accuracy other than review by the activity sponsor, who is also responsible for the initial collection of fundraising income.

Recommendation – The District should develop some type of summary form and procedures which would include reviewing supporting documentation for fundraisers in order to account for the completeness and accuracy of revenues recorded. For example, you could have the activity sponsor summarize budgeted, expected, and actual results on a spreadsheet which can be compared to actual fundraising receipts recorded once the fundraiser is completed. Any revenues short or long can then be explained on the form. This form should be reviewed and initialed by either the Activity Director, Principal, or Secretary as applicable. Whoever is reviewing these fundraiser summary forms should also verify in detail the information on a couple of forms each year. This can be done by tracing the information on the form to the supporting documentation kept by the activity sponsor, i.e. sales sheets, order forms, etc. We realize verifying every fundraiser would be time consuming so not every fundraiser needs to be verified in detail. Checking a few each year will let the activity sponsors realize that someone may be reviewing their records.

Response – We will review our procedures regarding fundraising activities and change our procedures as we deem necessary.

Conclusion – Response accepted.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program and
CFDA Number 10.555: National School Snack Program
Federal Award Year: 2004
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.287: Twenty-First Century Community Learning Centers
Federal Award Year: 2004
U.S. Department of Education

CFDA Number 84.367: Improving Teacher Quality State Grants
Federal Award Year: 2004
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-04 Segregation of Duties – One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits, bank reconciliations and all payroll activity are performed by the same person in the various funds.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We feel with the limited number of office employees, it will be difficult to further segregate duties. However, we will continue to investigate available alternatives as responsibilities change and implement changes whenever possible.

Conclusion – Response accepted.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part IV: Other Findings Related to Statutory Reporting:

IV-A-04 Official Depositories – Official depositories have been approved by the District. The maximum deposit amount approved for Cresco Union Savings Bank was exceeded by \$282,366 during the month of April 2004.

Recommendation – A new resolution should be approved in amounts sufficient to cover anticipated deposits for all depositories.

Response – We will approve a new resolution.

Conclusion – Response accepted.

IV-B-04 Certified Budget – Disbursements for the year ended June 30, 2004, did not exceed the amounts budgeted.

IV-C-04 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-E-04 Business Transactions – We noted no business transactions between the District and District officials or employees.

IV-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-G-04 Board Minutes – Except as previously mentioned in comment II-B-04, no transactions requiring Board approval which had not been approved by the Board were noted.

IV-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

IV-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-04 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

HOWARD-WINNESHIEK COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2004

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-K-04 Agency Fund – We noted transactions being recorded through the Fiduciary, Agency Fund, such as fundraisers for the purchase of playground equipment and computer equipment, book fairs, school programs, and other purchases that directly benefit the District, that would more appropriately be accounted for in the General Fund or Special Revenue, Student Activity Fund.

Recommendation – The Agency Fund is only to be used to account for money received by the District as an agent for individuals, private organizations and other governments.

Response – We will record future similar transactions in the General Fund or Student Activity Fund, as appropriate.

Conclusion – Response accepted.

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